



AUDITOR-GENERAL

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL  
STATEMENTS OF THE WEST RAND DISTRICT MUNICIPALITY FOR THE YEAR  
ENDED 30 JUNE 2006**

**1. AUDIT ASSIGNMENT**

The financial statements as set out on pages ..... to ....., for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3)(a) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

**2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette No. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

**3. BASIS OF ACCOUNTING**

The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

**4. AUDIT OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the West Rand District Municipality at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the MFMA.

## **5. EMPHASIS OF MATTER**

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### **5.1 Property, plant and equipment (PPE)**

#### **5.1.1 Depreciation**

Due to a lack of reconciliations and the recalculation of system generated transactions, PPE were over depreciated which resulted in an understatement of PPE by R309 631.

#### **5.1.2 Compliance with GAMAP 17**

As mentioned in note 9, WRDM took advantage of the transitional provision in GAMAP 17, paragraph 86 in respect of the three year phase in period, as the following paragraphs were not complied with:

- The useful life of an item of property, plant and equipment were not reviewed periodically as per paragraph 59.
- Property, plant and equipment were not impaired in terms of paragraph 63.

### **5.2 Internal control**

Accounting internal control systems are designed to ensure that the financial information produced by the accounting system is complete, accurate and valid. This generally includes controls such as authorisation procedures, segregation of duties, reconciliations and internal audit. Due to a lack of reconciliations performed and non-adherence to policies and procedures the following internal control weaknesses were identified:

#### **5.2.1 Internal audit**

Due to a lack of capacity, training and audit experience the following non-compliance with internal audit standards were identified during the evaluation of internal audit:

- Quality assurance reviews were not conducted on the work done by internal audit;
- Internal audit working papers did not indicate the sources of information and the sample size and methods used;
- Internal audit reports did not include management comments on the audit finding;
- A plan for continuous training was not in place to ensure development of staff; and
- Evidence that the council reported on the performance of the audit committee as well as evidence that the audit committee reported on the effectiveness of internal audit, could not be obtained.

#### **5.2.2 Policies not developed**

Due to the lack of capacity the following policies were not developed:

- A policy on skills retention and evaluation of the competency of staff to ensure that skilled and competent staff is retained and assessed; and
- A risk management policy.

### 5.2.3 Rental income

Due to the lack of capacity and the low demand for rental properties the following weaknesses were identified:

- Agreements between the municipality and the tenants living on a farm could not be presented for audit purposes and the correctness of the rentals paid could not be verified;
- As mentioned in the 2004/05 audit report a documented policy on rental income of council property occupied by WRDM employees did again not exist; and
- As mentioned in the 2004/05 audit report one rental agreement was again not renewed even though the contract expired, and the tenant was still renting the premises.

## 6. APPRECIATION

The assistance rendered by the staff of the West Rand District Municipality during the audit is sincerely appreciated.



Ms M.A. Masemola for Auditor-General

Johannesburg

5 December 2006



AUDITOR-GENERAL

## REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON FACTUAL FINDINGS ON PERFORMANCE MEASUREMENT AT WEST RAND DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006.

### 1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements (as included on pages.....to.... of the annual report) and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system, my role is not to assess or comment on the municipality's actual performance .

### 2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of West Rand District Municipality. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

- \* chapter 6 of the Municipal Systems Act, 2000;
- \* the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during my assignment were based on the high-level overview checklist completed by the accounting officer and included a review of the following aspects:

- (i) Development of an integrated development plan (IDP);
- (ii) Development of a performance management system (PMS);
- (iii) Development and implementation of key performance indicators (PKIs);
- (iv) Setting of targets for key performance indicators;
- (v) Actual service delivery process;
- (vi) Internal monitoring of performance measurements;

- (vii) Internal control of the performance management system;
- (viii) Performance measurement and reporting; and
- (ix) Revision of strategies and objectives.

### **3. FACTUAL FINDINGS**

I report my findings below:

#### **3.1 Development of an IDP**

A copy of the IDP to the MEC for Local Government was not submitted within 10 days of the amendment of the plan. The IDP which was submitted to the MEC did not contain a summary of the process followed to amend the IDP and a statement that the amendment process was complied with, together with any explanations that might have been necessary to amplify the statement.

#### **3.2 Development and implementation of a PMS**

Deviations from best practices were not noted.

#### **3.3 Development and implementation of KPIs**

Deviations from best practices were not noted.

#### **3.4 Setting targets for key performance indicators**

Deviations from best practices were not noted.

#### **3.5 Actual service delivery process**

The PMS did not relate to the municipality's employee performance management process and the PMS framework did not track the performance of the staff and service providers or review the performance of its entire staff including section 57 individuals, according to the review framework in the PMS.

#### **3.6 Internal monitoring of performance measurements**

Although there were quarterly reports produced, there was no internal monitoring framework developed or implemented as part of the municipality's performance management system. The quarterly reports also did not provide corrective actions for variances identified.

#### **3.7 Internal control of the performance management system**

The internal auditors did not on a continuous basis audit the performance measurements of the municipality and did not submit quarterly reports to the municipal manager and the performance audit committee

The performance audit committee did not have at least one person who had expertise in performance management. The committee did not review the municipality's performance management system and made recommendations in this regard to the council and also did not submit an audit report to the council at least twice during a financial year.

**3.8 Performance measurement and reporting**

The municipality did not table its annual report for the previous financial year, within nine months after the end of the financial year.

**3.9 Revision of strategies and objectives**

The municipality did not develop its review framework after consultation with either the municipal wide structure for community participation or the community participation forum.

**4. STATEMENT**

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or International standards on review engagements other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of West Rand District Municipality, taken as a whole.

**5. APPRECIATION**

The assistance rendered by the staff of West Rand District Municipality during the assignment is sincerely appreciated.



Ms M.A. Masemola for Auditor-General

Johannesburg

5 December 2006